



Richard N. Clarke
Division Manager

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295 North Maple Avenue
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April 10, 2002

Mr. William F. Caton, Acting Secretary
Federal Communications Commission
445 Twelfth Street, S.W.
Washington, D.C. 20554

Re: *Ex Parte Presentation*
Petition for Forbearance of Iowa Telecommunications Services
CC Docket No. 01-331

Dear Mr. Caton:

The attached letter was sent to Aaron Goldschmidt of the Common Carrier Bureau concerning the above-captioned petition. Please incorporate it into the record of this proceeding.

Two copies of this Notice are being submitted to the Secretary of the FCC in accordance with Section 1.1206(a)(1) of the Commission's rules.

Sincerely,

/s/
Richard N. Clarke

Attachment: Letter to Aaron Goldschmidt



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Mr. Aaron Goldschmidt
Federal Communications Commission
445 Twelfth Street, S.W.
Washington, D.C. 20554

Re: *Ex Parte Presentation*
Petition for Forbearance of Iowa Telecommunications Services
CC Docket No. 01-331

Dear Mr. Goldschmidt:

This letter responds to your request for a fuller explanation of the Local Exchange Routing Guide ("LERG") issues that we outlined to you, Jay Atkinson, Noel Uri and Paul Zimmerman at our meeting on March 19, 2002

The LERG is a database produced by Telcordia Technologies (formerly, Bellcore) that describes the facilities present in local carrier wire centers and their traffic routing relationships, *e.g.*, host switches associated with remotes and tandem switches associated with end offices. The information in this database changes from year-to-year and month-to-month as wire centers are added or subtracted from local networks, as the equipment present in wire centers is changed, and as traffic routing patterns are revised and made more efficient.

The version of the LERG used as the basis for the Commission's Synthesis Model end office wire center list and tandem switch associations dates from 1996. The host-remote designations and associations in the Synthesis Model are based on the 1998 LERG. Thus, both the tandem switch associations and the host-remote designations/associations no longer represent either accurate current or forward-looking local network configurations. A few examples related to Iowa Telecommunications Services' ("ITS") network will illustrate this clearly.

First, the 1996 LERG shows seven tandem switches (DWTT, GNFD, GRNL, KNVL, MNPL, NWLL and RCCY) serving the three GTE study areas that became ITS. Thus, the Synthesis Model "builds" and costs these seven tandems. But the 2002 LERG shows that only four of these CLLIs have remained tandems: GRNL, KNVL, MNPL, and RCCY. The other three CLLIs are now only end offices, and route to non-ITS tandems. In particular, DWTT routes to the Qwest DVNP tandem, GNFD (which is now only a remote switching center) routes to the Qwest DESM tandem, and NWLL

routes to the Qwest SPNC tandem. Indeed, the 2002 LERG shows six different Qwest tandems with subtending ITS end offices – but the Synthesis Model’s database displays no such inter-company tandem homing relationships. Of course, such actual homing of small rural carrier switches to more efficient BOC tandems is exactly the more efficient practice that AT&T pointed out in footnote 8 of its March 27, 2002 *ex parte* letter. But it is an efficiency that the Synthesis Model is currently incapable of modeling.¹

Inspection of the current LERG indicates still further departures of the Synthesis Model’s representation of ITS’ network from efficient reality. Three of the currently existing ITS tandems (GRNL, KNVL and MNPL), which the Synthesis Model and LERG also identify as end offices, are Nortel DMS 100/200 switches. Such switches provide both end office *and* tandem switching functionalities from the same machine.² This is likely a more cost-efficient way of provisioning tandem switching for small networks than the tandem costing currently performed by the Synthesis Model.

Indeed, ITS’ has found still further ways to improve the efficiency of its local networks relative to how they are represented in the Synthesis Model. For example, the Synthesis Model shows 163 out of ITS’ 295 end offices to be remotes.³ But the 2002 LERG shows that 212 of these 295 end offices are now remotes. Thus, over the last four years, ITS (or its predecessor, GTE) has converted 49 of its end offices that used to be standalone switches into remote switches. Because the Synthesis Model assumes the getting started fixed cost of a standalone switch to be \$486,700 and of a remote switch to be \$161,800, the Synthesis Model inflates ITS’ switch investments by \$324,900 for each of these switches – or \$15,920,100 in total. In addition, because the Synthesis Model permits host-remote interoffice transport rings to be OC-3, while rings connecting host and standalone switches must be OC-48, it is likely that a correct identification of these end offices as remotes would reduce substantially the interoffice transport costs that would be calculated by the Synthesis Model.⁴

All of the forgoing, in addition to the other reasons given in AT&T’s March 27th *ex parte* letter, show that despite ITS’ claim, outputs from the Synthesis Model do not represent the efficient, forward-looking operations of a rural carrier.

I would also like to correct a misperception that may have been communicated in the *ex parte* letter from ITS’ counsel, Gregory Vogt, on March 25. This letter states,

¹ Of course, the homing of ITS end offices to Qwest tandems also raises the question of how to model accurately the cost of the interoffice transport links connecting these offices. While it is highly likely that a significant portion of this transport is carried on higher capacity, more efficient Qwest transport systems, the Synthesis Model costs this transport as if it was sized and built to handle ITS’ traffic exclusively.

² Indeed, ITS’ end office and tandem located at RCCY is a GTD-5 switch which also likely performs both end office and tandem functions from the same machine.

³ Host versus remote designations in the Synthesis Model are based on the 1998 LERG.

⁴ Indeed, it is not completely certain that all of the small end offices listed in the LERG are actually full switches. During the Commission’s workshops addressing the development of the cost models in CC Docket No. 97-160, it was suggested that some end office CLLIs in the LERG are actually being served by equipment that is closer to a DLC remote terminal in character. These, of course, are much less costly than switches in the Synthesis Model – in both their electronics and transport investments.

“The legislature of the State of Iowa recently passed legislation that will accommodate changes to Iowa Telecom’s intrastate price regulation plan. These changes allow for concomitant rate relief that parallels the relief being requested for federal rates.” First, although ITS lobbied the Iowa legislature to pass legislation that would have classified switched access as a non-basic service and would have freed ITS to raise its intrastate access rates, the Iowa legislature declined to do this.⁵ The bill it passed did not reclassify intrastate access service and left intact previous state legislation that prevented intrastate access charge increases. Rather, the legislation as enacted permitted the Iowa Utilities Board (“IUB”) only to consider whether ITS should be allowed to raise its retail rates. Second, in considering a request by ITS to have its retail and access services in various of its exchanges deregulated, the IUB issued an order on April 5th that denied ITS’ petition for deregulation.⁶ Thus, contrary to what might be inferred from ITS’ *ex parte* letter, neither the Iowa legislature nor the IUB have granted ITS authority to raise its access rates – as ITS is requesting from the Commission in the interstate jurisdiction. In fact, each state body has expressly denied ITS’ attempts to raise intrastate access rates.

Please contact me if you have any questions.

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Sincerely,

/s/

Richard N. Clarke

cc: Aaron Goldschmidt
Jay Atkinson
Noel Uri
Paul Zimmerman

⁵ See <http://www.legis.state.ia.us/GA/79GA/Legislation/SF/00400/SF00429/Current.html> for a history of this legislation.

⁶ See http://www.state.ia.us/government/com/util/_private/Orders/2002/0405_inu011.pdf.